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STATE FOR WHA/BSC (KREAD, CCROFT), S/CT (GNOVIS, ASIERRA),
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TREASURY FOR FINCEN

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TAGS: [PGOV](#) [PREL](#) [PTER](#) [ECON](#) [PA](#)
SUBJECT: MANAGING EXPECTATIONS OF NEW SEPRELAD DIRECTOR

REF: A. 2001 ASUNCION 1452
[1](#)B. 2002 ASUNCION 1426
[1](#)C. 2002 ASUNCION 1445
[1](#)D. 2003 ASUNCION 1191
[1](#)E. 2005 ASUNCION 458

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

[11.](#) (C) SUMMARY: Reviews of Dr. Angel Gabriel GONZALEZ Caceres, Paraguay's new director of the Secretariat for the Prevention of Money Laundering (SEPRELAD), are quite mixed. A former Central Bank president (2003-2005), Gonzalez also served two terms as Banking Superintendent (1998-99 and 1999-2003), and is reputed to be a technician with a long trajectory at the Central Bank who has cooperated with the Embassy on money laundering and terrorist financing. Others paint a more negative picture of Gonzalez, citing fist fights, personal grudges, incompetency, and corruption from his past and present. The Ambassador will meet Gonzalez August 30, and lay down clear markers for Gonzalez' tenure. Because local views of Gonzalez range from less-than-competent to corrupt, we recommend exercising caution about what information we share with Gonzalez as we move forward. END SUMMARY.

[12.](#) (C) Reviews of Dr. Angel Gabriel GONZALEZ Caceres, Paraguay's new director of SEPRELAD, the Secretariat for the Prevention of Money Laundering, are quite mixed. On the positive side, Gonzalez is a former Central Bank president (2003-2005) who also served two terms as Banking Superintendent (during the Raul Cubas (1998-99) and Luis Gonzalez Macchi administrations (1999-2003)). Past cable traffic describes Gonzalez as a technician with a long trajectory at the Central Bank who was knowledgeable about monetary policy (ref B). Embassy Asuncion's quote of the week in September 2003 was from Gonzalez-- "illegality should not exist. Whoever conducts a financial operation outside the law should suffer the consequences" (ref D). Other previous reporting indicates strong cooperation with the Embassy on terrorist financing and money laundering as Bank Superintendent in 2001 (ref A). As Bank Superintendent, however, Gonzalez opposed creation of SEPRELAD because he wanted the Central Bank to retain responsibility for fighting money laundering. While his appointment may indicate that the Central Bank could begin to exercise more influence over SEPRELAD, increased inter-agency coordination and support could be a positive result.

[13.](#) (C) Others paint a more negative picture of Gonzalez. One former USG official assigned to Paraguay said that during a 2002 meeting between Gonzalez (then-Bank Superintendent) and SEPRELAD, Gonzalez came to physical blows with SEPRELAD

counterparts. Because of that fight, Gonzalez had "an ax to grind" with SEPRELAD when he assumed the Central Bank presidency in 2003. In an effort to cut off SEPRELAD, Gonzalez established a parallel organization to fight money laundering within the Central Bank, thus causing international confusion about which Paraguayan governmental entity was the appropriate interlocutor on money laundering issues. In August 2003, FinCen/Egmont representatives asked Gonzalez to close the shadow version of SEPRELAD; Gonzalez obliged by issuing a decree in November 2003 that SEPRELAD, instead of the Central Bank, would receive suspicious activity reports (SARs), but the decree was not followed in practice.

¶4. (C) The most colorful anecdote regarding Gonzalez led to his resignation from the Central Bank in early 2005. Central Bank retirees were demonstrating peacefully (with a mariachi band) in front of his house late March 30 when Gonzalez emerged from his home in an intoxicated state, brandishing a handgun. He allegedly held the pistol to a child's head before he fired off the round into the air. There were no injuries, and Gonzalez later apologized for his conduct and resigned his position (reftel E). Embassy reporting said some finance ministry contacts were glad Gonzalez resigned, calling him "a micro-manger who over-personalized the Central Bank presidency." Following Gonzalez' appointment this month to SEPRELAD, one of the 2005 Central Bank protesters wrote a letter to the editor which appeared in the August 16 edition of daily newspaper Ultima Hora, imploring President Duarte to reconsider the appointment. The author said Gonzalez had done "much damage" to Paraguay in his previous positions, and called him "technically and morally incompetent to guard against money laundering in our country." He also noted that an investigation remains pending against Gonzalez for the collapse of Banco Aleman. (NOTE: Gonzalez' role in the collapse of that bank, as well as another called Multibanco, is unclear. END NOTE).

¶5. (C/NF) The director of Paraguay's counternarcotics secretariat (SENAD), Hugo Ibarra, told the DCM August 21 that

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he will have "nothing to do with" Gonzalez. He said Gonzalez' role in the Banco Aleman collapse was "old news" and "small time." He then volunteered that Gonzalez had a direct personal role as Central Bank president in white-washing ("blanquear") funds for so-called pillar of the community Horacio Cartes and his Banco Amambay, noting that 80 percent of money laundering in Paraguay moves through that banking institution. Ibarra indicated that Gonzalez is still involved with Amambay, and questioned why a former Central Bank president would take a lower level position as SEPRELAD director -- managing an office with less than a dozen employees -- in the absence of some other financial incentive.

¶6. (SBU) BIO NOTES: Gonzalez is a strong Colorado with close ties to President Duarte, who appointed him Central Bank president in September 2003 and then gave him a diplomatic posting in Chile (economic advisor in the Paraguay embassy) in April 2005. When Duarte appointed him as Central Bank president in 2003, Congress questioned his handling of the Banco Aleman and Multibanco banking crises (in which small-time pensioners saw their savings looted), but confirmed him nevertheless. Gonzalez was named interim Central Bank president in November 2002, but when President Luis Gonzalez Macchi nominated him to assume the position permanently, Congress questioned his nomination and Gonzalez withdrew from consideration. (reftel C). In addition to serving as Bank Superintendent, he was also former chief of section of the Financial Analysis Division of the Economic Studies Department of the Superintendence of Banks and a former analyst specializing in finance, norms and procedures. An economist who graduated from the National University of Asuncion in 1985, Gonzalez does not speak English.

¶7. (C/NF) COMMENT: The Ambassador will meet Gonzalez August 30, in response to Gonzalez' August 17 letter to the

Ambassador, in which Gonzalez expressed gratitude for past USG support to SEPRELAD and requested a meeting with the Ambassador so Paraguay and the United States could continue to cooperate to meet their "common objective of combating money laundering and terrorist finance." We will lay down clear markers for Gonzalez' tenure, including our expectation that he and the rest of his unit be polygraphed and the urgency of Paraguay paying its long-outstanding dues to Gafisud. Because local views of Gonzalez are so mixed (from less than competent to corrupt), we recommend exercising caution about what information we share with Gonzalez as we move forward. END COMMENT.

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